

VZCZCXRO3201
RR RUEHMA RUEHPA
DE RUEHMA #0745/01 1731307
ZNR UUUUU ZZH
R 221307Z JUN 07
FM AMEMBASSY MONROVIA
TO RUEHC/SECSTATE WASHDC 8788
INFO RUEHZK/ECOWAS COLLECTIVE
RHEHAAA/NSC WASHDC

UNCLAS SECTION 01 OF 02 MONROVIA 000745

SIPDIS

SENSITIVE
SIPDIS

DEPARTMENT FOR AF/W PDAVIS, INR/AA BGRAVES, AF/EPS, EB

E.O.12958: N/A

TAGS: [PGOV](#) [ECON](#) [EINV](#) [EAID](#) [LI](#)

SUBJECT: LIBERIAN HOUSE OF REPRESENTATIVES PASSES ACT RESTRICTING
FOREIGN-OWNED CONSTRUCTION BIDS

¶1. (SBU) SUMMARY. Liberia's House of Representatives passed the National Technical Committee (NTC) Act on June 19, and has sent it to the Senate for concurrence. According to the Act, the NTC would have the exclusive administrative authority to supervise the award of all government related construction, engineering or architectural contracts, and would award all government-financed construction projects valued at US\$1,000,000 or less to 100 percent Liberian-owned construction, engineering or architectural firms. NTC authority would not apply to bilateral reconstruction agreements or other foreign-funded construction projects. END SUMMARY.

¶2. (U) The Association of Liberian Construction Contractors initiated efforts to draft the National Technical Committee Act in early 2006. The association's president, Foday Kamara, worked with House Labor Committee Chairman, Representative Gbenimah Slopadoe (APD-Grand Kru County), to ensure that the act reached the floor of the House this year. After intensive lobbying, the act was unanimously passed in the House of Representatives with Bhofal Chambers (UP-Maryland County) being the only member of the House to oppose the act on the grounds that Liberian-owned firms were not yet reliably able to carry out large projects. Representative Chambers also urged members of the House to take into consideration the implications of an act that would be seen as unfriendly to foreign investment in Liberia.

¶3. (U) If it becomes law, the National Technical Committee would be led by the Minister of Public Works and assisted by the Minister of Finance, Director General of the Budget Bureau, head of the government ministry or agency responsible for implementation of a particular project and one member each from the Association of Liberian Construction Contractors and the Liberian Business Association. The Committee will have the exclusive administrative authority to supervise the award of all construction, engineering or architectural contracts funded by the GOL or by loans or other forms of financial aid from internal GOL sources. The Act stipulates that all construction projects financed solely by the government and valued at US\$1,000,000 or less shall be awarded only to 100 percent Liberian-owned construction, engineering or architectural firms. Non Liberian-owned construction, engineering or architectural companies may be awarded such contracts only if they form a partnership with Liberian-owned construction companies wherein the Liberian partner holds a minimum 55 percent share. The Liberian-owned limitation does not apply to bilateral reconstruction agreements and other foreign-funded construction projects, and all construction, engineering or architectural contracts valued in excess of US\$1,000,000 shall be opened to competitive bidding for both Liberian and non-Liberian firms.

¶4. (U) The Act also seeks to forbid Liberians from "fronting" non-Liberian firms that the Act says deprive the government of "just and legitimate revenue." Liberians who serve as "fronts" for foreign-owned firms will be charged and prosecuted for "economic sabotage" against the state. Instead, the Act stipulates that non-Liberian citizens wishing to establish a resident domestic

construction company in Liberia may only do so in partnership with a registered and accredited Liberian-owned construction, engineering or architectural company with proven experience in the construction industry. In such a partnership, the Liberian partner(s) shall hold a majority ownership of not less than 55 percent of shares. Non-Liberian owned construction companies wishing to do business in Liberia shall be limited to those government financed projects valued at US\$1,000,000 or above and shall be required to open a bank account in Liberia of not less than US\$2,000,000. Moreover, Liberian-owned construction companies must ensure that their workforce of technicians and other skilled workers is 70 percent Liberian citizen, 75 percent for management staff. Non-Liberian merchants dealing in building materials will not be allowed to establish construction, engineering or architectural companies in Liberia.

15. (SBU) COMMENT: The National Technical Committee Act is another step in the "Liberianization" movement, driven by Liberian business associations and their allies in government. It comes at a time when Liberian-owned construction and engineering firms do not yet have the capital, equipment, or technical capacity to carry out the numerous and relatively large construction and engineering projects the GOL has planned. The Act could slow the country's much needed infrastructure reconstruction and rehabilitation efforts, and may impact moves by donors to examine direct budget support to the GOL. Although the act will likely face stiffer opposition in the Senate and with the President, similar "Liberianization" measures have drawn widespread support among the public. Meanwhile, the establishment of a National Technical Committee would duplicate many of the functions of the Public Procurement, Contract and Concession Commission (PPCC), and corruption could become an issue in awarding contracts outside the PPCC Act.

16. (SBU) COMMENT CONT.: The unanimous passage of the act is a stark

MONROVIA 00000745 002 OF 002

reminder of the xenophobic and protectionist feelings among Liberians, and is part and parcel of ongoing efforts in a number of areas -- withholding work permits for foreign managers, protective legislation for Liberian workers, and refusal to honor duty-free privileges for international NGO's, among other indicators -- that hint at a problematic future for international business. Also, more dangerous for long term stability, those advocating for the Act and those organizations who will have decision-making power in the NTC are overwhelmingly from the coastal/educated/Americo elite. There is a real danger they are using "Liberianization" as a cover to enrich and entrench themselves in the construction sector to the exclusion of upcountry/indigenous Liberians, as well as to the exclusion of non-Liberians. END COMMENT.

BOOTH